

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>AUGUSTA-ROSS DISTRICT LIBRARY</b>	County <b>KALAMAZOO</b>
Audit Date <b>12/31/03</b>	Opinion Date <b>9/10/04</b>	Date Accountant Report Submitted to State: <b>11/30/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Siegfried Crandall PC</b>			
Street Address <b>246 East Kilgore Road</b>	City <b>Kalamazoo</b>	State <b>MI</b>	ZIP <b>49002-5599</b>
Accountant Signature 		Date <b>11/30/04</b>	

*Augusta-Ross District Library*  
*Kalamazoo County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended December 31, 2003*

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## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Augusta-Ross District Library**

We have audited the accompanying general purpose financial statements of Augusta-Ross District Library as of December 31, 2003, and for the year then ended. These general purpose financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Augusta-Ross District Library as of December 31, 2003, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

*Siegfried Crandall P.C.*

**September 10, 2004**

## **GENERAL PURPOSE FINANCIAL STATEMENTS**

**Augusta-Ross District Library**  
**COMBINED BALANCE SHEET - governmental fund type, account group and**  
**discretely-presented component unit**  
December 31, 2003

	<u>Governmental fund type</u>	<u>Account group</u>
	<u>General</u>	<u>General fixed assets</u>
<b>ASSETS</b>		
Cash	\$ 164,357	\$ -
Investments	-	-
Receivables:		
Taxes	98,072	-
Interest	2,077	-
Due from other governmental units	6,359	-
Fixed assets	-	181,932
<b>TOTAL ASSETS</b>	<b>\$ 270,865</b>	<b>\$ 181,932</b>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>LIABILITIES:</b>		
Payroll liabilities	\$ 3,465	\$ -
Accounts payable	560	-
Deferred revenue	98,072	-
<b>Total liabilities</b>	<b>102,097</b>	<b>-</b>
<b>FUND EQUITY:</b>		
Investment in general fixed assets	-	181,932
Unreserved:		
Designated for building	43,000	-
Undesignated	125,768	-
<b>Total fund equity</b>	<b>168,768</b>	<b>181,932</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 270,865</b>	<b>\$ 181,932</b>

<i>Totals (memorandum only)</i>	<i>Component unit</i>	<i>Totals (memorandum only)</i>
<i>Primary government</i>	<i>Expendable Trust</i>	<i>Reporting entity</i>
\$ 164,357	\$ -	\$ 164,357
-	162,110	162,110
98,072	-	98,072
2,077	-	2,077
6,359	-	6,359
181,932	-	181,932
<u>\$ 452,797</u>	<u>\$ 162,110</u>	<u>\$ 614,907</u>
\$ 3,465	\$ -	\$ 3,465
560	-	560
98,072	-	98,072
102,097	-	102,097
181,932	-	181,932
43,000	-	43,000
125,768	162,110	287,878
350,700	162,110	512,810
<u>\$ 452,797</u>	<u>\$ 162,110</u>	<u>\$ 614,907</u>

See notes to financial statements

**Augusta-Ross District Library****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - General Fund and discretely-presented component unit**

Year ended December 31, 2003

	<u>Primary government</u>	<u>Component unit</u>	<u>Totals (memorandum only)</u>
	<u>General</u>	<u>Expendable trust</u>	<u>Reporting entity</u>
REVENUES:			
Property taxes	\$ 95,392	\$ -	\$ 95,392
State grants	7,019	-	7,019
Fines and forfeitures	35,114	-	35,114
Investment return	5,367	13,372	18,739
Contributions	7,367	-	7,367
Other income	1,452	-	1,452
	<u>151,711</u>	<u>13,372</u>	<u>165,083</u>
Total revenues			
EXPENDITURES:			
Recreation and cultural:			
Salaries and wages	68,770	-	68,770
Payroll taxes	9,590	-	9,590
Books and magazines	16,523	-	16,523
Supplies	3,331	-	3,331
Repairs and maintenance	3,109	-	3,109
Insurance and bond	605	-	605
Professional services - board expenses	5,363	-	5,363
Tax penalties	5,010	-	5,010
Telephone	2,062	-	2,062
Utilities	4,463	-	4,463
Miscellaneous	3,896	-	3,896
	<u>122,722</u>	<u>-</u>	<u>122,722</u>
Total recreation and cultural			
Capital outlay	2,204	3,700	5,904
	<u>124,926</u>	<u>3,700</u>	<u>128,626</u>
Total expenditures			
EXCESS OF REVENUES OVER EXPENDITURES	26,785	9,672	36,457
FUND BALANCE - BEGINNING OF YEAR	<u>141,983</u>	<u>152,438</u>	<u>294,421</u>
FUND BALANCE - END OF YEAR	<u>\$ 168,768</u>	<u>\$ 162,110</u>	<u>\$ 330,878</u>

See notes to financial statements



**Augusta-Ross District Library****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - General Fund***Year ended December 31, 2003*

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	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Property taxes	\$ 90,403	\$ 95,392	\$ 4,989
State grants	600	7,019	6,419
Fines and forfeitures	40,000	35,114	(4,886)
Investment return	2,840	5,367	2,527
Contributions	5,400	7,367	1,967
Other income	840	1,452	612
	<u>140,083</u>	<u>151,711</u>	<u>11,628</u>
Total revenues			
EXPENDITURES:			
Recreation and cultural:			
Salaries and wages	81,000	68,770	12,230
Payroll taxes	9,600	9,590	10
Books and magazines	17,000	16,523	477
Supplies	3,400	3,331	69
Repairs and maintenance	3,200	3,109	91
Insurance and bond	600	605	(5)
Professional services - board expenses	5,400	5,363	37
Tax penalties	5,000	5,010	(10)
Telephone	2,100	2,062	38
Utilities	4,500	4,463	37
Miscellaneous	700	3,896	(3,196)
	<u>132,500</u>	<u>122,722</u>	<u>9,778</u>
Total recreation and cultural			
Capital outlay	2,300	2,204	96
	<u>134,800</u>	<u>124,926</u>	<u>9,874</u>
Total expenditures			
EXCESS OF REVENUES OVER EXPENDITURES	5,283	26,785	21,502
FUND BALANCE - BEGINNING OF YEAR	141,983	141,983	-
FUND BALANCE - END OF YEAR	<u>\$ 147,266</u>	<u>\$ 168,768</u>	<u>\$ 21,502</u>

*See notes to financial statements*

**Augusta-Ross District Library**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Augusta-Ross District Library (the Library) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Library (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Library is not considered a component unit of any other municipality.

*Discretely-presented component unit:*

The component unit columns in the combined financial statements include the financial data of the Ella Dole McKay Memorial Fund, an expendable trust. The trust agreement names the Library as the sole beneficiary of the trust. The Library is entitled to interest and dividends on a current basis and may request all or a portion of the remaining assets for capital expenditures. This entity is presented in a separate column to emphasize that it is legally separate from the Library. Separate financial statements of the expendable trust are not provided.

*b) Basis of presentation:*

The accounts of the Library are organized on the basis of a fund and an account group, each of which is considered a separate accounting entity. The operations of the fund and account group are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to, and accounted for in, the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The financial activities of the Library are recorded in the separate fund and account group, categorized, and described as follows:

*i) Governmental fund:*

General Fund - this fund is the general operating fund of the Library. It is used to account for all financial resources except for those required to be accounted for in another fund.

*ii) Account group:*

General fixed assets account group - this account group presents the fixed assets of the Library utilized in its general operations.

**Augusta-Ross District Library**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Basis of accounting:*

The Library prepares its financial statements on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available.

Expenditures are recognized when the liability is incurred (when the goods or services are received) rather than when paid.

*d) Cash and investments:*

The Library considers all highly-liquid debt instruments purchased with maturity of three months or less to be cash equivalents. Investments are stated at market value.

*e) Budgets and budgetary accounting:*

The Library follows the procedures in establishing the budgetary data reflected in the financial statements in accordance with the Uniform Budgeting and Accounting Act (Act No. 621, Public Acts of 1978) as prescribed by the State of Michigan.

Budgets are adopted at the line item level and are on a basis consistent with generally accepted accounting principles.

*f) Fixed assets:*

Fixed assets used in operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds. No depreciation has been provided on general fixed assets.

This account group is not a fund. It is concerned only with the measurement of financial position and is not involved with the measurement of results of operations.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

*g) Library books:*

All book purchases are for materials used in the circulating library. These purchases have not been capitalized because their estimated useful lives are less than one year.

*h) Property tax:*

Property tax revenue is recognized in the year for which taxes have been levied and become available. The Library levy date is December 1 and, accordingly, taxes have been deferred from recognition as revenue until the following year.

Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on February 14, with a final collection date of February 28, at which time the bill becomes delinquent and penalties and interest may be assessed by the Library.

**Augusta-Ross District Library**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*i) Totals (memorandum only):*

The total column on the combined statement is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation as interfund eliminations have not been made.

NOTE 2 - CASH AND INVESTMENTS:

*a) Cash:*

	<u>Primary government</u>
Cash consists of:	
Deposits	\$164,207
Cash on hand	<u>150</u>
	<u>\$164,357</u>

Deposits are carried at cost and are maintained at various financial institutions in the name of the Library. Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Library's deposits are in accordance with statutory authority. At December 31, 2003, the Library has deposits with a carrying amount of \$164,207 and a bank balance of \$164,455. Of the bank balance, \$164,163 is covered by federal depository insurance and \$292 is uninsured. Certain of these deposits are certificates of deposit purchased with a maturity greater than three months.

*b) Investments:*

Investments at December 31, 2003, consist of the following, with separate identification of investments representing 5% or more of total assets:

<u>Investment type</u>	<u>Component unit</u>
Stock	\$ <u>7,616</u>
Nonrisk-categorized:	
Munder Large Ccap Value Fund	32,602
Munder Index 500 Fund	19,355
Munder Intermediate Bond Fund	84,067
Other funds	<u>18,470</u>
	<u>154,494</u>
	<u>\$162,110</u>

**Augusta-Ross District Library**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 2 - CASH AND INVESTMENTS (Continued):

*b) Investments (continued):*

Stock is held in the name of the Ella Dole McKay Memorial Fund. The trust document does not place limitations on the type or extent of investment holding.

NOTE 3 - FIXED ASSETS:

A summary of changes in general fixed assets is as follows:

	<i>Balance January 1, 2003</i>	<i>Additions</i>	<i>Dispositions</i>	<i>Balance December 31, 2003</i>
Building	\$ 30,500	\$ 3,700	\$ -	\$ 34,200
Land improvement	8,151	-	-	8,151
Equipment	<u>137,377</u>	<u>2,204</u>	<u>-</u>	<u>139,581</u>
	<u>\$176,028</u>	<u>\$ 5,904</u>	<u>\$ -</u>	<u>\$181,932</u>

NOTE 4 - RISK MANAGEMENT:

The Library is exposed to various risks of loss related to general liability, property, and casualty.

The risks of loss arising from general liability and casualty up to \$2,000,000, and for property, and building contents up to \$580,000, are managed through purchased commercial insurance.

NOTE 5 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Library's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the line item level.

The following schedule sets forth significant budget variations:

<i>Fund</i>	<i>Function</i>	<i>Line item</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance</i>
General	Recreation and cultural	Miscellaneous	\$700	\$3,896	\$3,196

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE  
RELATED MATTERS NOTED IN A FINANCIAL STATEMENT AUDIT**

**Board of Trustees  
Augusta-Ross District Library**

In planning and performing our audit of the general purpose financial statements of Augusta-Ross District Library (the Library), for the year ended December 31, 2003, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Library's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses.

**Control environment:**

- The Treasurer has sole responsibility for receipts of the Library. The treasurer records the revenue in the books of the Library, prepares the deposit slips, and makes the bank deposits. Appropriate monitoring procedures to address the risks arising from a lack of segregation of duties are not in place.

**Control activities:**

Certain control activities did not occur, or occurred, in a limited manner. Such control activities included the following:

- Deposit of cash receipts on a timely basis
- Filing of federal employment tax returns on a timely basis

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE  
RELATED MATTERS NOTED IN A FINANCIAL STATEMENT AUDIT *(Continued)***

**Control activities *(continued)*:**

- Timely payment of federal quarterly employment tax and State of Michigan withholding tax
- Reconciliation of bank statements to general ledger balances
- Retention of supporting documentation for certain payments

This report is intended solely for the information and use of the Library's management and the Michigan Department of Treasury and is not intended to be, and should not be, used by anyone other than these specified parties.

*Siegfried Crandall P.C.*

September 10, 2004